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PROTECTIONISM AND STRUCTURAL ADJUSTMENT

Information provided by States members of UNCTAD for the annual review by the Board on protectionism and structural adjustment

Note by the UNCTAD secretariat

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INTRODUCTION

1. The Trade and Development Board, in resolution 286 (XXVIII) of 6 April 1984, decided that the Sessional Committee established by Board resolution 226 (XXII) should carry out, at the first regular session of the Board each year, the annual review of the problems of protectionism and structural adjustment ... and, in this context, should:

> "(a) Monitor the implementation of Conference resolution 159 (VI) and, where necessary, formulate appropriate recommendations concerning the general problems of protectionism and continue the work on non-tariff barriers in pursuance of paragraph 6 of Conference resolution 131 (V) and paragraph 6 (b) of Conference resolution 159 (VI), as provided in section I, A (Protectionism) of the latter resolution;
>
> (b) Exchange information and discuss the experience of all members with regard to structural adjustment, review and monitor developments in trade and, where appropriate, make general policy recommendations, and review progress on structural adjustment and make appropriate recommendations, if necessary, as provided for in section I, B (Structural adjustment) of Conference resolution 159 (VI); ...".

It also established a list of elements that should be taken into account in the carrying out of these annual reviews. In paragraph 4 of the same resolution, it further invited States members of UNCTAD:

> "(a) To provide information on actions relevant to agreements and commitments in Conference resolution 159 (VI), with a view to assisting the Board in monitoring the implementation of that resolution ...;
>
> (b) To continue to provide information on their experience with regard to structural adjustment, ... so as to assist the Sessional Committee in reviewing progress in structural adjustment and in assessing its implications for the trade and development of developing countries and for the world economy as a whole;
>
> (c) To continue to co-operate in supplying and, if necessary, verifying, information required for the preparation of the comprehensive, factual and analytical studies to be prepared by the UNCTAD secretariat;".

2. In paragraph 105 of the Final Act of UNCTAD VII, the Conference agreed, inter alia, to the full implementation of commitments to halt and reverse protectionism and commitments relating to structural adjustment, in particular those contained in Conference resolutions 96 (IV), 131 (V) and 159 (VI). t also agreed that the annual review of protectionism and structural adjustment in the Trade and Development Board should continue under the existing mandate and should be improved to have a wider coverage taking into account the specific interests of developing countries. The Conference further agreed that Governments should consider, as part of their fight against protectionism, the establishment of transparent mechanisms at the national level to evaluate protectionist measures and the implications of such measures for the domestic economy as a whole and their effects on the export interests of developing countries.

3. Accordingly, in notes dated 13 July 1990 and 15 October 1990, the Secretary-General of UNCTAD requested States to provide the information in question.

4. The present document reproduces the information received, as at 7 December 1990, from: Australia, Austria, Benin, Cameroon, Canada, Cyprus, European Economic Community, Japan, Norway, Republic of Korea, Sweden, Switzerland, Turkey and Yugoslavia.

5. The terminology used is that of the original source.

1. AUSTRALIA

[Original: ENGLISH]

DEVELOPMENTS IN INTERNATIONAL TRADE

A. Changes in trade laws and procedure

The Government is continuing the policy announced in its Economic Statement of May 1988 which initiated a number of broad-ranging changes in assistance and regulation of the industry sector. Those changes, and the continuing programme of micro-economic reforms, were designed to reduce domestic production costs, improve the efficiency of resource allocation within the domestic economy and reduce impediments to the expansion of trade.

In summary, the May 1988 Economic Statement included substantial phased reductions in tariffs, reductions in assistance to the few highly assisted industries in the agricultural sector, changes to business taxation and a relaxation of regulations in telecommunications and of controls over government business enterprises.

In addition, changes in tariff rates were made in January 1988 in association with the adoption of the Harmonized System for classifying goods in trade.

The Government has improved the efficiency of the Commercial Tariff Concession System which allows for duty-free entry of goods not produced in Australia.

B. Summary of changes in tariffs and tariff preferences

Amendments to the Australian Customs Tariff Act 1987 1/ include information on changes made in Australian tariffs and tariff preferences between 1989 and 1990.

An Anti-Dumping Authority (ADA) commenced operation on 1 September 1988. Its role is to advise the Minister on whether anti-dumping or countervailing duties should be imposed on specified imported products and to review and report to the Government on dumping matters.

During 1989/90 there were only five cases in which dumping duties were imposed or price undertakings were accepted from foreign exporters.

Changes arising from the Australia/New Zealand Closer Economic Relations Trade Agreement have meant that, since 1 July 1990, anti-dumping measures no longer prevail in Australia and New Zealand with respect to goods originating in the other country. All existing anti-dumping actions between Australia and New Zealand ceased on 1 July 1990.

Since June 1990 producers eligible for the textile yarn bounty may elect for a once only capitalized grant to be paid in lieu of future bounty receipts, subject to meeting certain criteria. The Government has also introduced a bounty on the production of sensitized photographic film; the computer bounty has been extended to 31 December 1995.

Since 1 January 1991, the liquefied petroleum gas (LPG) industry has been deregulated; controls imposed on the pricing and export of LPG have been removed. Under the new arrangements, the Price Surveillance Authority has increased monitoring of distributor and retail prices of LPG but no longer sets the maximum wholesale price.

The Australian Government, in June 1990, had announced its intention to sign the UNESCO Agreement on the Importation of Educational, Scientific and Cultural Materials (the Florence Agreement) and the Nairobi Protocol to the Florence Agreement. Signatories undertake to allow duty-free entry of goods covered by the Agreement; these include stationery, books, publications, documents, works of art, collectors' items, scientific equipment, visual and auditory materials and goods for the blind and people with other disabilities.

On 21 December 1989, the Government announced proposed amendments to the Copyright Act. The amendments will cause copyright owners to "lose control over imports for all non-pirate copies of books published in the future". Exceptions are books published in Australia or published in Australia within 30 days of being first published overseas.

Import controls applying to second-hand materials-handling equipment were removed on 10 December 1989.

The Government abolished the preference margin given to Australia and New Zealand content with respect to the Government's purchase preference policy.

The rate of duty for soda ash has been reduced. The duty rate was 15 per cent as of 1 July 1989 with a further reduction to 12.5 per cent as of 1 January 1990, 10 per cent as of 1 January 1991, and 7.5 per cent after 1 January 1992.

C. Actions regarding non-tariff measures

1. Quantitative restrictions, VERs, OMAs and safeguards

Australia does not impose quantitative import restrictions. There are no government-to-government Voluntary Export Restraints or Orderly Marketing Agreements applying to exports from overseas. Australia is not a signatory to the Multi-Fibre Arrangement.

2. Import licensing controls

Australia is a signatory to the GATT Code on Import Licensing. Except for import licensing on second-hand materials-handling equipment, which is to be removed on a date to be announced following discussions with Australian State authorities about safety regulation issues, Australia does not use import licensing to restrict imports.

3. Quarantine restrictions

As an island nation currently free of many diseases present in other countries, Australia imposes comprehensive quarantine controls.

4. Anti-dumping and countervailing policy

Australia does not consider anti-dumping and countervailing duty actions to be non-tariff measures for protectionist purposes in the same way as, for instance, quantitative restrictions and other non-tariff measures. They are a legitimate and accepted means of defending local industries - many of which are already competitive and structurally adjusted - from unfair trading practices (ref. GATT article VIII).

5. Defence-related goods

Controls over the export of defence-related goods were revised in June 1988. Under the revised arrangements, export controls will be restricted to goods of a military and/or lethal nature. Goods which are obsolete or devoid of real military significance will not be covered by the new controls.

6. Aviation

The Commonwealth Government will remove aviation-specific economic controls on interstate aviation as of 31 October 1990. Hence, controls on fares, route entry and import of aircraft will no longer apply. Both new and existing carriers will be able to compete on all interstate domestic routes free from the controls which existed under the previous two-airlines policy. Domestic aviation will also be removed from the "special category" status for foreign investment which had previously applied; future foreign investment will be subject only to the provisions of the foreign investment guidelines, except for investment by foreign international airlines operating services to Australia, in which case the level of investment will be limited to less than 15 per cent in any one domestic operator.

7. Motor Vehicle Standards Act 1989

The Motor Vehicle Standards Act 1989 (the Act) is not in itself a non-tariff barrier. Motor vehicles imported to Australia require authorization under the Act. Authorization may be denied if the vehicle does not comply with the Australian Design Rules which have been determined under the Act as National Standards.

D. Trade agreements/arrangements with other countries

1. SPARTECA and PATCRA

No change since 1989. 2/

2. Bilateral agreements

Currently, Australia has bilateral trade agreements with 38 countries and bilateral science and technology agreements with 8 countries. Australia's bilateral agreements are transparent and GATT-consistent. A common feature of the agreements is that they are facilitative and designed to encourage trade without recourse to discriminatory or trade-distorting devices. With the exception of the agreements with New Zealand, Forum Island countries, Papua New Guinea and Canada, Australia's bilateral agreements do not involve preferential treatment.

3. ANZCERTA

No change since 1989. 2/

E. Policies for assessing domestic trade policies

Australia was one of the first countries to be reviewed under the GATT Trade Policy Review Mechanism. A report on the full range of Australia's trade policies and practices was presented to a special GATT Council session in December 1989.

STRUCTURAL ADJUSTMENT POLICIES IN SPECIFIC INDUSTRY SECTORS

Passenger Motor Vehicles (PMV)

The current PMV Plan had initially provided for tariff quotas on PMV to be eliminated by 1 January 1992. The Plan was modified in April 1988 as part of a scheduled mid-term review. The changes to the Plan have significantly reduced assistance to the production of motor vehicles. Tariff quotas on passenger motor vehicles were abolished; the base tariff rate was 40 per cent, dropping to 37.5 per cent in January 1991, then down to 35 per cent in January 1992. Tariffs on assembled and unassembled four-wheel-drive vehicles, which are outside the Plan, were 18 per cent, reducing to 17 per cent in January 1991, then moving to 15 per cent in January 1992.

The 85 per cent local content requirement has been effectively removed since 1 January 1989. There is now no binding constraint on the value of components (and vehicles) that passenger vehicle producers can source from imports. Producers receive an automatic duty-free entitlement equal to 15 per cent of the value of their vehicle production. Subject to export facilitation, imports in excess of 15 per cent are now subject to the same tariff as that which applies to passenger motor vehicle imports.

The PMV Plan also includes minimum volume levels for model production, as part of the Government's desire to rationalize the number of models manufactured in Australia. Penalties apply to models failing to meet these minimum levels.

Textile, Clothing and Footwear (TCF)

The post-1988 plan for the TCF industries, announced in May 1988, had provided for the complete removal of tariff quotas, which were to be phased out by 1 March 1996 through annual reductions in out-of-quota duty rates. Protection was then limited to tariffs of either 60, 50 or 40 per cent.

Amendments to the post-1988 TCF arrangements were also announced in May 1988. Under the modified TCF arrangements, the phased removal of quotas was brought forward to 1 July 1995. The end tariff rates for clothing and footwear were reduced, respectively, from 60 per cent and 50 per cent to 55 per cent and 50 per cent. In addition, reductions in bounty assistance for some yarns and the printing of fabrics were accelerated.

The new TCF Plan involves a reduction of some 30 per cent, with significantly greater reductions for some specific activities. The new Plan encompasses a safeguard mechanism administered by an independent authority which can make recommendations regarding operations of the Plan.

Textile Bounty Capitalization Grants Scheme

A textile bounty capitalization grants scheme was introduced in 1990. Under the scheme a once-off capitalization grant is paid in lieu of future bounty receipts. The maximum grant is to be equal to the net present value of expected future bounty payments.

Engineering

The heavy Engineering Adjustment and Development Programme ran from 1 July 1986 until 30 June 1989. The Programme was not extended beyond that date.

In 1989, the Government introduced the Metal-based Engineering Programme (M-BEP), a $A 15 million four-year programme to encourage engineering firms to become internationally competitive, develop an export culture and adopt new technologies.

Colour Photographic Film Bounty

The Colour Photographic Film Bounty is an assistance measure for manufacturers of colour photographic film. The goal is to enhance manufacturing capability in Australia and to develop an internationally competitive colour film industry. Any firm manufacturing colour photographic film is eligible when the firm enters into a Colour Photographic Industry Development Agreement. The level of assistance is limited to $A 36 million over five years, or $A 12 million in any one year and is based on a bounty rate of $3.75 per square metre of colour photographic film produced.

Industry development arrangements for customer equipment

As a transition from the previous highly regulated Telecom arrangements to a liberalized market environment, authorization to connect customer premises equipment (first telephones, private automatic branch exchanges (PABXs), small business systems (SBS) and cellular mobile telephones (CMTS)) to the public network is restricted to firms meeting industry development criteria. These criteria relate to research and development, exports and Australian production.

Under the points scheme, firms must achieve minimum aggregate levels of points in each year so as to continue to receive authorization from AUSTEL to connect their customer premises equipment to the network. Points are gained for performance in Australian production, research and development and exports across a firm's range of customer premises equipment, with equal weighting accorded to each factor.

Communications equipment

In July 1989, new industry development arrangements were introduced for certain products in the customer premises equipment sector of the telecommunications industry, replacing the pevious local industry preference arrangements administered by the Australian Telecommunications Commission. Until 30 June 1993, suppliers of customer premises equipment will need to undertake activities in areas of research and development, exports and Australian production as a precursor to supplying specified categories of customer equipment to the Australian market. After that date, assistance is to be provided by means of a 15 per cent tariff.

Shipping and Waterfront Reform

In June 1989, three-year reform strategies for the shipping and waterfront industries were announced by the Government. The strategies are aimed at increasing efficiencies in these industries. They concentrate on improving work practices and reducing the labour force. Government financial assistance is being provided partially to fund training and voluntary early retirement/redundancy schemes, as well as to encourage the introduction of new, fuel-efficient tonnage.

Notes

1/ A copy of this document provided to the secretariat by the Australian Government is available at the secretariat for consultation by interested delegations.

2/ See TD/B/1245.

2. AUSTRIA

[Original: ENGLISH]

The Austrian authorities informed the UNCTAD secretariat that in 1990 Austria had taken the following measures:

On 1 January 1990, a law providing for substantial tariff reductions entered into force unilaterally. For the time being it is limited to two years, as a prior concession before the results of the Uruguay Round.

With effect from 1 January 1990, Poland and the occupied Arab territories have been included among Group I countries benefiting from the Austrian Generalized System of Preferences (GSP) scheme. With effect from 1 July 1990, the Mongolian People's Republic has been included in Group I countries benefiting from the Austrian GSP scheme. With effect from 1 January 1990, the application of preferential rates of duty under the Austrian GSP scheme has been suspended with regard to caraway seed (0909 40) and poppy seed (1207 91).

3. BENIN

[Original : français]

L'information fournie par les autorités du Bénin concerne les mesures de libéralisation des échanges actuellement prises et au nombre desquelles on peut citer :

- La levée par les autorités béninoises de toutes mesures de prohibition et de contingentement des produits à l'importation à partir du 21 juillet 1988, à l'exception des produits dangereux pour la santé humaine, la sécurité de l'Etat et ceux ayant un caractère stratégique pour l'Etat;

- La suppression des licences d'importation pour les produits en provenance des Etats de la Communauté économique européenne (CEE), des Etats de l'Afrique, des Caraïbes et du Pacifique ainsi que ceux de la zone franc à partir du 15 juin 1990.

En outre, toutes les entraves au libre exercice des activités commerciales ont été levées.

4. CAMEROUN 1/

[Original : français]

Le Gouvernement camerounais a mis en place des mesures appropriées visant la libéralisation progressive de son commerce. Il s'agit de :

1) Mesures tarifaires

- Baisse de la taxe complémentaire sur les bières, vins, liqueurs, whisky, gin, vins de campagne, cigarettes, parfums, produits de beauté, voitures particulières de plus de 2 000 cm3;

- Baisse de la valeur minimum imposable sur les tissus, étoffes, linges, rideaux;

- Baisse du minimum de perception : vêtements et sous-vêtements, chaussures en caoutchouc et en matière plastique;

- Baisse de la taxe unique sur les cigarettes, parfums, produits pour les soins de la peau.

2) Mesures non tarifaires

Le nouveau programme des échanges réaménage les procédures d'importation en supprimant les licences d'importation sauf pour quelques produits encore sensibles dont le calendrier d'élimination des restrictions quantitatives sera décidé ultérieurement. Il s'agit de :

a) Produits péréqués (riz, huile, sucre, savon, gruaux et semoule de maïs, produits gras);

b) Produits stratégiques (thé vert, thé noir, tissus de coton, autres tissus, lait concentré sucré, ciment hydraulique, etc.);

- Libéralisation des prix avec suppression du système de fixation administrative des marges pour tous les produits sauf pour une liste des produits encore soumis à des homologations préalables ou à des restrictions quantitatives (produits péréqués, carburant, transport);

- L'organisation du commerce intérieur en vue d'augmenter sa contribution au développement socio-économique (cf. loi 90/031 du 10 août 1990 régissant l'activité commerciale au Cameroun);

- La suppression des permis de collecte et les contingentements à l'exportation des produits alimentaires;

- La mise en place d'une zone franche industrielle.

Note

1/ Le Gouvernement camerounais a aussi fait parvenir au secrétariat un exemplaire du Programme général des échanges pour la période 1989 à 1991 et une copie de la nouvelle loi 90/031 du 10 août 1990 régissant l'activité commerciale du Cameroun. Ces documents sont mis à la disposition des délégations intéressées pour consultation au secrétariat.

5. CANADA

[Original: ENGLISH]

In response to the request for information relevant to the annual review of protectionism and structural adjustment, the Government of Canada has provided the secretariat with a copy of Canada's report to the GATT Trade Policy Review Mechanism. This report is available at the UNCTAD secretariat for consultation by interested delegations.

6. CYPRUS

[Original: ENGLISH]

Cyprus follows a liberal system of import policy covering a large number of products produced worldwide. This is reflected in the country's huge trade deficit.

In spite of this and owing to the fact that Cyprus is undergoing a transitional period of re-adjusting its agricultural and industrial production policies, which will enable the country to compete in terms of price and quality of products in both domestic and foreign markets, a limited restrictive import policy is applied for certain sensitive agricultural and industrial products produced/manufactured in Cyprus, taking into consideration local production and consumption.

In cases concerning certain agricultural products, limited quantities of imports are allowed as a complement to local production.

As far as industrial products manufactured in Cyprus are concerned, import protection is granted on the grounds of promoting local industry growth and development; annual quantitative restrictions are therefore applied. These amount to only a small portion of total imports.

According to the Cyprus - European Economic Community Customs Union Agreement, certain consessions have been granted by both parties. It is expected that the Agreement will eventually lead to a full liberalization of trade by the time customs union is completed.

7. COMMUNAUTE ECONOMIQUE EUROPEENNE

[Original : français]

Actions de la Communauté en faveur de la libéralisation des échanges commerciaux et de l'ajustement de ses structures économiques et sociales en 1989

La Communauté européenne est, par nature, orientée vers la liberté des échanges commerciaux. Elle accepte également, par voie de conséquence, le principe d'un ajustement continu des structures de son économie et s'efforce de le faciliter.

De ce point de vue, l'année 1989 et les premiers mois de 1990 ont été importants pour la Communauté.

I. LA LIBERALISATION DES ECHANGES

A. Relations bilatérales avec les pays en voie de développement

La Communauté a fortement élargi l'accès de son marché aux produits provenant des pays en voie de développement.

1) La conclusion de la quatrième Convention de Lomé permet aux 68 pays en voie de développement signataires de bénéficier, pour s'en tenir aux mesures commerciales, d'un meilleur accès au marché communautaire pour 40 produits agricoles importants pour leurs économies (sorgho, millet, riz, etc.). Un large assouplissement des règles d'origine a été consenti et des dispositions tendant à faciliter et développer le commerce des services ont, pour la première fois, été incluses dans la Convention.

2) L'Accord de coopération économique avec le Conseil de coopération du Golfe est entré en vigueur le 1er janvier 1990. Il envisage la conclusion d'un accord de libre-échange. Les contacts se poursuivent actuellement à cet effet.

3) Diverses mesures sectorielles ont facilité l'accès du marché communautaire aux pays en voie de développement :

   - L'accès au marché des produits CECA a été élargi par augmentation des contingents communautaires et autonomes en 1989, puis nettement plus encore en 1990. Enfin, des arrangements de prix ont été supprimés en 1990 (Venezuela et République de Corée);

   - Des réductions tarifaires ont été effectuées sur un certain nombre de produits agricoles comme les amandes, les citrons et le jus d'orange.

B. Impact des changements en Europe de l'Est

La Communauté a tiré les premières conséquences commerciales des profonds changements intervenus en Europe de l'Est et en Europe centrale, ainsi que de l'osmose croissante de son économie avec celles des pays de cette région.

1) Pour la première fois, des accords commerciaux ont été conclus avec l'URSS et la Pologne. L'impact de certaines restrictions quantitatives a été réduit pour certains produits textiles originaires de l'URSS. L'accord commercial avec la Pologne prévoit des concessions tarifaires sur les produits agricoles pour lesquels l'autre partenaire est le premier fournisseur. La Communauté a en outre éliminé toutes les restrictions quantitatives spécifiques et suspendu les restrictions non spécifiques applicables jusqu'alors à la Hongrie et à la Pologne dans le cadre de l'opération PHARE.

2) L'année 1989 a vu le lancement, par la Communauté, de l'initiative de l'espace économique européen et l'aboutissement de mesures visant à faciliter les échanges au sein de cette région (simplification des règles d'origine, suppression des interdictions d'exporter des métaux non ferreux).

C. Mesures générales en faveur de l'ouverture du marché

Au-delà de ces actions conduites dans un cadre bilatéral, la Communauté a poursuivi l'ouverture de son marché.

1) Le système généralisé de préférences (SGP) a fait l'objet d'améliorations sensibles. Son bénéfice a été, à peu de chose près, intégralement étendu à la Pologne et à la Hongrie. Son schéma agricole a été augmenté de 23 groupes de produits et la plupart des montants préférentiels du schéma industriel ont été relevés de 5 %. La Communauté a en outre entrepris l'étude d'une modification en profondeur de son SGP en vue d'en simplifier les modalités d'application et d'en étendre le bénéfice si possible dès 1992.

2) A ces mesures en vigueur, s'ajoutent les propositions présentées dans le cadre de l'Uruguay Round qui devrait s'achever le 7 décembre 1990.

   - Jouant un rôle actif en faveur d'un élargissement de l'accès à son marché, la Communauté a proposé de réduire ses droits de douane sur les produits tropicaux et les produits industriels. Ces propositions traduisent la volonté de la Communauté de libéraliser de façon décisive ses échanges commerciaux avec ses partenaires et notamment avec les pays en voie de développement.

Ces mesures tarifaires s'inscrivent dans un ensemble de propositions qui, du point de vue de la Communauté, conduisent à renforcer les règles du GATT et l'efficacité de son action dans l'intérêt de toutes les Parties contractantes. La Communauté confirme les termes du communiqué final du sommet de Houston : "The successfull outcome of the Uruguay Round has the highest priority on the international economic agenda ... (and) we confirm our strong support for the essential broad objectives of negotiations".

Symboliques enfin de l'ouverture de la Communauté vers l'extérieur, sont les toutes premières importations de fruits et légumes en 1989 en provenance de la bande de Gaza et de la Cisjordanie.

II. LES MESURES DE RESTRUCTURATION ECONOMIQUE

L'année 1989 a été positive pour l'industrie et l'économie européennes. La Communauté a pu ainsi poursuivre, dans de bonnes conditions, ses actions pour renforcer et moderniser son économie, dynamisée par la prochaine réalisation de son grand marché.

A) La Communauté s'est efforcée d'accroître l'efficacité de son action en faveur des secteurs en difficulté telles la sidérurgie, dont la restructuration est en voie d'achèvement, et la construction navale, dont l'aide a été réduite.

Dans l'industrie houillère, la démarche de la Communauté a pour objectif d'améliorer la compétitivité des capacités de production de combustibles solides, dans le respect de la sécurité de l'approvisionnement, à des conditions économiques satisfaisantes.

S'agissant de l'agriculture, les prix ont été gelés pour la plupart des produits. Cette décision s'inscrit dans le droit fil des orientations retenues en vue de parvenir à maîtriser les productions et de rééquilibrer l'offre et la demande. Simultanément les efforts en faveur d'une amélioration de l'efficacité des structures agricoles et du secteur de la pêche ont été amplifiés.

B) L'année 1989 a été marquée par la mise en oeuvre de la nouvelle réglementation communautaire sur les politiques régionales. Les principaux objectifs de cette réglementation sont le développement et l'ajustement structurel des régions en retard de développement et la reconversion de celles affectées par le déclin industriel.

Dans le domaine de la recherche et du développement, l'année 1989 a été marquée par la mise en vigueur d'un nouveau programme-cadre pluriannuel, axé sur les technologies diffusantes, la gestion des ressources naturelles et la valorisation des ressources intellectuelles.

8. JAPAN

[Original: ENGLISH]

The reply of the Japanese authorities contained the following information:

I. DEVELOPMENTS RELATED TO INTERNATIONAL TRADE

1. Export Insurance

With a view to inducing increased private financial flows to developing countries, Japan has been expanding export insurance including resumption of the extension of new credits, on a case-by-case basis, to those countries which are implementing adjustment programmes.

2. Tariffs

(a) On 1 April 1990, tariffs on 1,004 manufactured products were suspended while those on four manufactured products were reduced. As a result, access to the Japanese market has been further improved.

(b) Additional tariff elimination or reduction is under consideration within the framework of the Uruguay Round of multilateral trade negotiations.

II. STRUCTURAL ADJUSTMENT

1. Progress in structural adjustment has continued in Japan, as the following examples indicate:

(a) The real economic growth rate in fiscal 1989 was 5.0 per cent, with strong domestic demand making a positive contribution of 5.7 per cent and external demand exerting a negative influence (-0.7 per cent).

(b) Imports, especially those of manufactures, have continued their substantial growth, further reducing external imbalances. (The import value of manufactures in fiscal 1989 had recorded an 11.8 per cent increase over fiscal 1988.)

(c) Japanese industrial activities have continued to rapidly proliferate overseas. (The ratio of overseas production to the total production in fiscal 1989 has been estimated as 5.8 per cent. The Ministry of International Trade and Industry has estimated that the ratio will stand at 10 per cent in 1995 and 15 per cent in 2000).

(d) Capacity reduction and rationalization in the industries where international competitiveness has declined, such as coal and metal mining as well as aluminum-related industries, have made further progress.

(e) The ratio of exports to total production has declined in such industries as electric appliances and automobile manufacturing. (In the case of home electric appliances, the ratio declined from 56 per cent in fiscal 1985 to 41 per cent in fiscal 1989. In the case of automobiles, the ratio was 55 per cent and 45 per cent, respectively.)

(f) The service sector has further expanded and increased its contribution to employment. (The number of people employed in the service sector averaged 13.36 million in 1988, an increase of 520,000 over the previous year.)

2. Japan will continue to place special emphasis on consolidating the shift to a domestic-demand-led economy and to make policy efforts towards more fully responding to consumers' needs and enriching general living standards.

9. NORWAY

[Original: ENGLISH]

PROTECTIONISM AND STRUCTURAL ADJUSTMENT

The following information has been submitted by the Norwegian authorities.

I. INTERNATIONAL TRADE

A. There have been no principal changes in Norway's trade régime, laws, regulations or procedures during the past year.

B. Norway had no balance of payments problems in 1989 or 1990.

The most important measure affecting agricultural policy is the yearly agricultural agreement between the Government and agricultural organizations determining the revenue of that sector. In 1989-1990 11,258 million Norwegian kroner were granted over the Government budget for the implementation of the agricultural agreement. The equivalent figure for the period 1990-1991 is 12,111 million kroner.

Total transfers to Norwegian fisheries amounted to 1,224 million kroner in 1989. This is 444 million kroner more than the previous year. In 1987 and 1986 total transfers amounted to 855 million kroner and 1,288 million kroner respectively. The explanation for the increase that took place in 1989 was the hardship imposed by the decline in stocks of many of the most important fish species.

The annex gives a comprehensive outline of the general policy, financial support, general support schemes and the structural support within the fisheries industry.

Support for the manufacturing sector mainly takes the form of loans for investment purposes from State financial institutions, which generally accept a higher degree of risk than private financial institutions.

In 1990, the volume of credit extended by the Norwegian Industrial Fund and the Industry Bank appeared to be almost 1.9 billion Norwegian kroner, up from 1.8 billion Norwegian kroner in 1989 and 1.7 billion kroner in 1988. The funds are allocated on the basis of a consideration of each application for support which is received. In addition, the Regional Development Fund had provided more than 1 billion kroner in credits and almost the same amount in grants in 1989 (no figures were as yet available for 1990), mainly for investment purposes. Furthermore, 300 million Norwegian kroner had been made available as guarantees, while another 590 million kroner were available as grants for regional development purposes from sources other than the Regional Development Fund.

Public expenditure under the facility established in support of the shipbuilding sector amounted in 1990 to about 1.15 billion kroner, an increase compared to 1989, which had shown a decline compared to the previous year. Support was mainly extended as interest rate subsidies but is gradually being phased out.

Compared to 80 million Norwegian kroner for 1988 and 1989, the level of grants for restructuring and adjustment purposes in industry in 1990 reached 100 million kroner. Subsidies to state-owned industrial enterprises amounted to 712 million kroner in 1989, down from 1,106 million kroner in 1988. Mining and steel companies located in remote areas of the country were major recipients, reflecting the importance of regional considerations in decisions regarding the distribution of support for publicly owned enterprises.

C. The latest extension of the Norwegian GSP scheme took place in the summer of 1989, and formed part of a package presented by Norway at the mid-term review of the GATT Uruguay Round of trade negotiations. The products added to the scheme have been listed in the latest report on protectionism and structural adjustment (TD/B/1245/Add.1). Another review of the GSP scheme aimed at further improvements is currently taking place.

Namibia has been added to the list of countries eligible for preferential treatment. From 1 January 1990 positions ex 73.23 and 73.24 of the Harmonized System were deleted from the special list of exceptions for Hong Kong, which means that products under these positions may be imported to Norway duty-free as products of origin.

The Norwegian GSP scheme continues to extend full duty-free treatment to all products admitted under the scheme, without tariff quotas or ceilings. All products originating in the least developed countries may be imported duty-free under the scheme.

D. (1) Based on the provisions of the Arrangement Regarding International Trade in Textiles, Norway maintains bilateral restraint agreements with a number of exporting countries. Norway is, however, pursuing a policy of gradually liberalizing the import régime and a substantial part of restrictions under the present agreements have been, or will have been abolished during 1990. Relevant amendments to the bilateral agreements will not be notified to GATT. The period for which apples and pears are quantitatively restricted has been shortened.

(2) In 1990 one case of anti-dumping investigation was concluded. No duty was imposed.

(3) Except for imports of textiles, no safeguard measures had been taken during 1989-1990.

(4) For a number of textile categories, Norway maintains an import licensing system for surveillance purposes. Licenses are issued automatically on presentation of the required documentation.

Effective 1 July 1990, Norway removed all remaining restrictions on foreign exchange transactions. There have also been changes in foreign financial institutions' possibilities to compete in Norway; they now have, inter alia, an increased opportunity to establish themselves in Norway. Foreigners are now allowed to own up to 33 1/3 per cent of the shares of a Norwegian financial institution. Furthermore, the rules and regulations covering permission for foreigners to buy a Norwegian bank have been adjusted, although they are still not allowed to buy any of the largest Norwegian banks.

E. Norway continues to be a member of the European Free Trade Association (EFTA), and maintains trade agreements with the European Communities. No new trade arrangements or agreements with other countries were entered into in 1989.

F. With regard to future trade policies, the focus was mainly on the ongoing Uruguay Round (UR) of trade negotiations. Norway was ready to contribute substantially to trade liberalization in the context of the UR in order to achieve a more open world trading system.

The EFTA countries and the Commission of the European Communities had been engaged in negotiations for expanding mutual co-operation by establishing a common European Economic Area (EEA).

II. STRUCTURAL ADJUSTMENT

A. Grants and loans were previously given from governmental sources to specific and, in general, ailing sectors in the manufacturing industry sector such as the textile and garment industry. The main parts of these grants and loans have been phased out.

The only sector-specific measure now in force is governmental support to the shipbuilding industry. The subsidies and amounts (in millions of Norwegian kroner) are as follows:

	1988	1989	1990
Interest rate subsidies for the ship-building industry, long-term financing	674	757	914
Contract subsidies (to shipowners)			10 a/
Interest rate subsidies for ship-building industry, construction loans	75	94	147
Construction loan guarantee arrangement and long-term financing guarantee	154	90	52

a/ Estimated figures.

Contract subsidies will replace the interest rate subsidy-scheme. This new subsidy system is a "cash-support" scheme or grant where the subsidy is paid in one instalment after the ship is delivered. The change of system will have no effect on the total subsidy level. The subsidies' schemes available are in accordance with the OECD understanding.

The aim is a step-by-step reduction of support to the shipbuilding industry. Customs refunds have already been phased out. In October 1989, the subsidy rates were reduced by about 25 per cent. In February 1990, the subsidy rates were further reduced by an additional 7 per cent.

Regional policy considerations have justified subsidies to certain State-owned enterprises. The Government has taken steps to reduce these subsidies. During the 1980s the greater part of the state-owned industry was sold to private interests.

B. There are no specific assistance schemes aimed at restoring international competitiveness of individual sectors.

C. The Royal Norwegian Council of Scientific and Industrial Research (NTNF) is the main institution in the Norwegian system for industrial research and development. In 1990 NTNF had a budget of 877 million Norwegian kroner. Research institutes play an important role in technical and industrial research in Norway, and about 60 per cent of NTNF's budget is allocated to the institutes. Some 30 per cent is allocated to the commercial sector and 10 per cent to universities and colleges.

NTNF's direct support to industrial companies is mainly given through their activity "Innovation in industry". Grants are given to projects related to new establishments or new ventures undertaken by existing enterprises. NTNF in most cases meets up to 50 per cent of the costs of a project.

Norway attained full member status in the European Space Agency in 1987. The Norwegian Space Centre co-ordinates the space-related activities of Norwegian industries, universities and research institutes. The Norwegian Space Centre had, in 1990, a budget of 197 million kroner.

Government research and development contracts are seen as an important instrument of industrial policy. The Government has given high priority to this activity in recent years. The budget for research and development contracts in 1990 was 98.5 million kroner.

D. Adjustment assistance policies

A major aim of Norwegian industrial and economic policy is to reduce the country's dependence on the oil sector by strengthening export-oriented and import-competing industries outside the oil sector. The most important requirements to promote this adjustment is a strengthening of the industries' general competitiveness. So as to achieve this goal, general demand management and low-cost policy must be supplemented by a specific and unified industry policy aimed at creating favourable business conditions. The Government does not see it as its responsibility to single out specific lines of business or trade. Important policy implications stressed by the Government are deregulation, reduction of governmental aid, privatization of state-owned enterprises, and implementation of a more neutral tax-system.

In addition, the following measures have been established in order to improve the adjustment process:

Grants from the Norwegian Industrial Fund are given to specific types of projects. The level of grants for restructuring and adjustment in industry in 1989 was 80 million kroner, the same as in 1988. In 1990 it was 100 million kroner.

State banks award loans for investment purposes on an individual basis. The Government's risk on such loans is relatively higher than the accepted risk in the private sector. Conditions are:

The Industry Bank: 11.25 per cent to 16 per cent depending on collateral. Loans running from 5 to 25 years cover a maximum amount of 50 per cent of the total investment. Limit for 1990: 1,250 million kroner.

The Norwegian Industrial Fund: 11.5 per cent per annum, with a three-year grace period on instalments. Thereafter, payments over five years (total: eight years). No security is needed. Limit for 1990: 325 million kroner.

Within its labour-market policies, Norway has not yet adopted any special measures with regard to promoting the movement of labour out of declining industries. However, there are measures aimed at promoting geographical labour mobility. Registered work applicants who must leave their original place of residence in order to obtain work will receive a travel allowance covering a substantial part of the costs of moving. The use of this type of measure has been somewhat reduced during the last couple of years owing to weaker labour markets in all parts of the country.

E. Current general labour-market policies are aimed at improving the functioning of labour markets. The emphasis is on such instruments as training and placement. Traditionally employment in the public sector was the main instrument used when large increases in unemployment have had to be offset. However, in recent years, the importance of various job-creation programmes such as public-sector job creation and employment subsidies have been down played in favour of measures for training and retraining.

During the last cyclical downturn in the Norwegian economy (1983-1984), various labour-market training programmes accounted for about 44 per cent of the total number of participants in labour market measures. In 1989, this figure approached approximately 70 per cent. There are no sector-specific labour-market policies of any significance in use today.

F. Research and development policy is an important part of industrial policy in Norway, and it is seen as a main instrument for increasing growth and competitiveness in industry. In 1989, the Norwegian Parliament examined white papers on both research policy and industrial policy. The Parliament stated the intention of increasing public allocations for research and development by 5 per cent annually in real terms.

The Government has emphasized that great importance must be attached to the needs of industry when research policy priorities are being set. Concentration of research and development resources is also necessary if satisfactory industrial results are to be obtained. The Royal Norwegian Council for Scientific and Industrial Research (NTNF) has attempted to concentrate a significant part of its allocations into large, inter-disciplinary research and development programmes. Industrial companies will take part both in the formulation and financing of the programmes. NTNF will also work for more direct contacts and collaboration between institutes and industry.

The Government will be more critical with regard to the definitions of operative targets for, and evaluations of, research and development programmes. High priority is being given to international co-operation on research. The activity is concentrated on Norway's membership in the European Space Agency, participation in EUREKA projects and in the research programmes of the European Economic Community.

G. The main aim of Norwegian regional policy is to maintain the population pattern and to secure comparable standards of living in all parts of the country. So as to achieve these goals, a number of regional policy measures are being used, in addition to paying attention to regional considerations in policy on agriculture, fisheries, transport and communications, etc.

In 1990, 1.7 billion Norwegian kroner had been earmarked for regional policy support. This support is divided among measures directed towards industry, regional councils and development of skills and competence. Support for industry consists of loans, guarantees, investment grants and industrial development grants. These are all administered by the Regional Development Fund (Distriktenes Utbyggingsfond). Priority is given to applications from industry in the most peripheral and structurally weak regions. In the northern-most parts of Norway (Finnmark and Nord-Troms), the investment grant may reach 40 per cent.

The support directed towards regional authorities helps them engage in an active industrial development policy. Important parts of this support consist of grants for basic investment, as well as grants for regional enterprise initiatives and for regional industrial funds. For regions with a limited or one-sided industrial structure, grants may be given to support re-adjustment and development of alternative economic activities.

The support directed towards the development of skills and competence has first and foremost been used for development of regional research foundations and centres of competence.

H. In general, it is very difficult to measure the effects of regional policy measures, as regional development is the result of several forces at work. One way of measuring regional policy effects is to look at regional migration patterns. For Norwegian peripheral districts, and especially for the three northern-most regions, the balance of migration was negative in the first half of the 1980s. After 1986, net emigration from the peripheral districts had declined so that there was currently more or less equilibrium. It was not clear, however, whether this was owing to successful regional policies or to higher unemployment in central parts of the country. In connection with major reforms in the administration of regional policy measures, indicators will be devised to assess the results but this will take some time.

ANNEX

REGIONAL DEVELOPMENT POLICIES

I. FISHING INDUSTRY

A. General policy

As a part of regional development policy in Norway, financial support has been given to the traditional fishing industry over the past 30 years. During the early years this was very often done on an ad hoc basis as a solution to short-term problems.

To secure normal activity within the traditional fishing industry and to discourage the current population trend of moving away from scarcely populated areas in the northern and western parts of Norway, in certain years it was necessary to increase the support. Without such emergency measures, a great number of the labour force would have moved to other parts of the country in search of employment.

The positive development in the fishing industry underwent a change of direction during 1988. The situation for cod and haddock stocks proved to be worse than estimated in 1987 and for these two species is now deemed severe; it is generally agreed that exploitation of these resources must be stabilized at a lower level for the next few years.

It is the northern part of Norway which is most seriously affected by the adverse resource situation for important fish species. In 1989 relatively higher support was granted in this part of the country to deal with the problems. It is of national importance to maintain settlements in the northern part of the country where the traditional fishing industry is the most important industry.

Until recently, the structure of the fishing industry was what could be regarded as traditional. Subsequently, fish-farming underwent rapid development during the 1980s. This sector now accounts for 35 per cent of the current Norwegian export value of fish.

All aquaculture activity requires permission from the authorities. The licensing system is the main instrument employed to maintain profitability in the fish-farming industry. The industry has proven to be a profitable, viable regional industry which contributes to maintaining employment and settlement in scarcely populated regions. It has been generally accepted, as a principle, that no aid programmes, support schemes or subsidies should be specifically directed towards the aquaculture industry.

B. Financial support

Financial support to the fishing industry is made available through the Financial Support Package, the National Fishery Bank (Statens Fiskarbank) and the Regional Development Fund (Distriktenes Utbyggingsfond).

The Financial Support Package is governed by an agreement between the Norwegian Fishermen's Association and the Government. The provisions of the agreement emphasize the importance of introducing measures which can promote greater efficiency in harvesting, processing and trade, and thus increase the profitability of the traditional fishing industry and thereby make it independent of governmental support. The specific schemes for support in accordance with the general agreement are negotiated annually.

Since 1990, stronger incentives have been given to reduce over-capacity through structure programmes. As mentioned above, the aim is a profitable industry independent of governmental support. To initiate the structure process, however, it is considered necessary to provide support for a certain time period.

The primary objective of the National Fishery Bank is to serve as a specialized credit institution for fishermen so as to stimulate adequate and effective development of the fleet and to promote a reasonable development of the traditional fishing industry.

Until 1988, the National Fishery Bank granted certain loans to the fish-processing industry; now it deals only with the traditional fleet. Responsibility for aquaculture and the traditional processing industries has been transferred to the Norwegian Bank for Industry (Industribanken). The bank receives no governmental support in its lending activities; loans are granted on the basis of commercial criteria at interest rates corresponding to regular market rates.

The objectives of the Regional Development Fund (RDF) which is under the Ministry of Local Government, are to maintain and strengthen the economic base of business and industry, assist in the implementation of regional development policy and to maintain and increase employment in regions with a low level of economic activity. The aquaculture industry and the traditional fish processing industry, like any other industry, may apply for loans, guarantees or investment grants provided by the RDF.

C. General support schemes

(a) Investment - Fishing vessels.

Reference is made to articles 1.1, 1.2, 1.3, and 1.4 in table 1 below.

The total amount of credit and support made available through the National Fishery Bank between 1988 and 1990 has been reduced by approximately 40 per cent. As of 1991, the Government has suggested a further reduction. Owing to the present resource situation and the permanent surplus capacity, this is consistent with the Norwegian authorities policy to reduce fishing fleet capacity.

Further comments:

(1.1) Since 1990, the interest rate has increased from 11.5 per cent to 12 per cent.

(1.2) Since 1990, the interest rate has increased from 10 per cent to 10.5 per cent.

(1.3) In order to strengthen the economic base in the northern part of Norway (Nord-Troms and Finnmark), an investment grant has been given since 1989. For 1991 the Government has suggested reducing the grant to 5 million kroner.

(1.4.1) This arrangement is based on OECD articles concerning financing of ships; it incorporates loans and interest for reconstruction and larger-scale rebuilding. Within a limit of 1,000 million kroner in 1988 and 800 million kroner in 1989, the National Fisher Bank has financed fishing vessels on a long-term basis by charging a granted interest rate. The support is granted separately and not contingent on the lender.

For contracts concluded since 1990, a contract grant has been given instead of an interest grant on a long-term basis. The amount, which may be regarded as an investment grant (on the same level as the previous granted interest rate) will be paid out from six months to one year after the contract has been concluded and delivery has taken place. The contract grant amounts to from 8.95 per cent to 13.75 per cent of the total contract price. From 1991, the Government has suggested cutting the contract grant in half and reducing the limit from 500 million kroner to 350 million kroner.

(1.4.2) The objectives of the investment grant are to further secure possibilities for fishery and regional priorities. An investment grant of this kind can only be given to projects with a granted interest support and a granted loan through the National Fishery Bank. The traditional coastal and long-line vessels (10-30 metres) are given priority.

In 1990, the investment grant was reduced to 7 million kroner, while as of 1991 the Government has proposed withdrawing the grant.

(1.4.3) These loans are only given to projects associated with a contract/interest grant (1.4.1). Owing to the extraordinary difficulties in the fishing industry, the interest rate has been reduced in 1990 from 14 per cent to 12.5 per cent.

(b) Investment in the fish-processing industry, including aquaculture.

Reference is made to articles 2.1, 2.2 and 2.3 in table 2 below.

(c) Financial support package to the traditional fishing industry.

Reference is made to articles 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7 in table 3 below.

The severe resource situation has led to increased support compared to 1987 and 1988. In addition, 100 million kroner had been made available as loans to alleviate liquidity problems both in fishing fleets and in the fish-processing industry.

Further comments:

(3.1) The price support is directed towards groups experiencing the most difficulty owing to the resource situation.

(3.4) The objective of the guarantee scheme is to secure a minimum income in case of fishing shortfalls.

(3.6) To ensure a certain, limited level of seal catches, a few vessels had received support in 1988 and 1989. This was important from an ecological point of view. In 1989, a processing plant for seals also received governmental support. Part of a governmental loan to a price regulation fund was cancelled in 1989. Interest on this loan was covered both in 1988 and in 1989. In 1989, an extra amount of unemployment benefit was granted. Grants for education, marketing and development in the fishing industry were also given.

(3.7) Owing to the industry's extraordinary difficulties, the Government has granted loans and direct grants to alleviate problems caused by scarce liquidity. The interest on these loans during the first year has usually been covered by a special Government grant. If interest after the first year is to be covered, means are allocated from the support package.

D. Structural support

Reference is made to article 3.8 in table 3 below.

Further comments:

(3.8) Grants are given to promote a structural re-organization of the Norwegian fishing fleet by facilitating sales, scrapping, etc. of older vessels. Similar actions are taken to support structural improvements in the fish-processing industry. A sum of 55 million kroner was made available in 1989 to reduce the capacity of the fishing fleet. In order to secure the industry's adaption to fish resources, 55 million kroner were granted to processing plants as an incentive for them to close down.

So as to reduce the over-capacity, structure programmes have been intensified as of 1990. Special support is also being given to promote re-adaptation in the fishing fleet and the fish-processing industry.

E. Effects of the support

The support has contributed to achieving the aim of maintaining dispersed settlements in rural areas of Norway. In addition, the support aims at securing an efficient, modern fishing fleet, with better working conditions for fishermen. The structure programmes have contributed to reducing the capacity of the fishing fleet, as well as that of the fish-processing industry, to a certain extent. This effect will be greater in future as governmental support in the 1990s will be channelled more towards structure programmes.

Table 1

Sectoral investment schemes of the National Fishery Bank for the fishing fleet

	Purpose	Conditions 1989	Norwegian kroner (millions) 1988	1989
1.1	Loan schemes for investment in vessels, gear and other equipment	First mortgage loans; up to 60 per cent of total investments. Maximum period: 15 years. Rate of interest: 11.5 per cent	92	105
1.2		Second mortgage loans including first mortgage loans, from 70 per cent to 80 per cent of total investment. Maximum period: 15 years. Rate of interest: 10 per cent	8	29
1.3		Investment grants	-	9
1.4	Reconstruction/ larger-scale rebuilding;			
	1.4.1	Granted interest rate		
	1.4.2	Investment grant up to 20 per cent of the vessel's cost price.	27 */	18
	1.4.3	First mortgage loans up to 70 per cent of total investment. Rate of interest: 14 per cent; interest subsidy: 6.5 per cent; periodicity: 8.5 years	325	161

*/ The granted interest rate was given to finance vessels within a total contract price of 919 million kroner in 1988 and 442 million kroner in 1989.

Table 2

General investment schemes from the Regional Development Fund to the fish-processing industry, including aquaculture

	Purpose	Conditions 1989	Norwegian kroner (millions) 1988	1989
2.1	Loans to the fish processing industry in certain designated development regions	Interest rate: 11.5 per cent Maximum period: 25 years	84	86
2.2	Guarantees for loans from private credit institutions, to finance processing plants in certain designated regions		147	87
2.3	Investment grants for processing plants located in certain designated regions	Grants are fixed at maximum 15-40 per cent of approved investment cost, depending on where the investment is made	60	65

Table 3

Financial support package to the traditional fishing industry (exclusive of aquaculture).

	Purpose	Conditions 1989	Norwegian kroner (NOK) (millions) 1988	1989
3.1	Support to landing prices of certain species of fish	Subsidies are granted a decreasing basis, depending on the amount landed by each vessel	116	274
3.2	Grants to reduce prices of bait and support to baiting stations	Bait	13	20
		Baiting stations	7	20
3.3	Grants to improve efficiency in fisheries	Experimental work	37	37
3.4	Guarantee of minimum weekly income for fishermen	Maximum aid of NOK 1,450 in 1988 and NOK 1,700 in 1989 per head per week	143	158
	Vacation scheme		45	50
3.5	Grants to reduce insurance costs	Per man per year: NOK 1,020 1988 NOK 1,200 1989	18	20
	Re-adaptation scheme		5	20
3.6	Other programmes		41	146
3.7	Liquidity grants		20	45
3.8	Structural reorganization schemes covering the fishing fleet and the processing industry		103	110
	Total		548	900
	Extraordinary liquidity loans		50	100

10. REPUBLIC OF KOREA

[Original: ENGLISH]

The Government of the Republic of Korea provided the secretariat with the following information 1/ for the annual review on protectionism and structural adjustment

I. DEVELOPMENTS IN INTERNATIONAL TRADE

A. Changes in trade régime, laws, regulations and procedure

The Foreign Trade Act of 1986 was amended on 21 December 1989, the major points being as follows:

(a) The status of the Korea Trade Commission (KTC), a subordinate entity of the Ministry of Trade and Industry, was enhanced to make it a quasi-independent institute. Upon the filing of a petition the Korea Trade Commission investigates whether an industry has been injured or not by the increased import, then makes its determination and recommends appropriate relief measures to the competent Ministries.

(b) The Korea Trade Commission in co-operation with related ministries now carries out the injury test before imposing anti-dumping or countervailing duties under the Tariff Act.

(c) Services such as trading, wholesale or retail business have been added to the industries eligible for relief from injury caused by import competition. Also, imports of counterfeit goods which breach various intellectual property rights have been included within the scope of the import relief system.

(d) Research into the influence of imports on the competitiveness of related industries, and research and comparison studies on international trade laws, regulations and cases of dispute have also been added to the sphere of the Korea Trade Commission.

(e) The import relief system has been brought into conformity with GATT provisions.

The Presidential Decree of Foreign Trade Act was amended on 8 March 1990 as follows:

(a) Simplification of criteria for registration of "A - class trade agency". The requirement of "two or more foreign countries" has been eliminated.

(b) Concrete expression of cases where injury will not be investigated if KTC cannot find substantial injuries recognizable upon examination of the documentation.

(c) Conclusion of investigation in cases where the petitioner accepts the exporter's suggestion to reduce exports.

(d) Clarification of points of examination for fair judgement regarding injury.

(e) Stipulation of the type and amount of fine for unfair trade practices.

B. Measures of economic policy with an impact on international trade

Korea does not have any subsidies or incentives for specific industries.

It does offer functional assistance, such as research and development (R & D) and environmental protection.

Assistance related to export includes:

- Trade financing, export facility financing, and foreign currency lending. These facilitate accessibility but they do not provide preferential interest rates.

- Tax incentives such as reduction or elimination of indirect tax and tariff refunds. These also facilitate fair competition with foreign goods.

Assistance related to industrial activities include financial assistance and tax incentives:

- for research and development;

- for venture business and rationalization of management, especially for small- and medium-sized enterprises;

- for restructuring of industry and environmental protection.

D. Actions regarding non-tariff measures

1. Quantitative restrictions and restrictive licensing

Mechanism of import restrictions

- Export and Import Public Notice System: This system is based on GATT article 18 B. However, Korea had decided to revoke GATT article 18 B as of January 1990. The remaining restrictions will be lifted by July 1997 according to a GATT/BOP consultation in October 1989.

- Consolidated Public Notice System: This notice brings together all the regulations on import procedures in individual Acts intended to maintain quality levels and to ensure safety and health standards, etc., consistent with GATT rules.

Changes in the Export and Import Public Notice

- In July 1989, restrictions on 84 items were lifted, increasing the import liberalization ratio from 94.7 per cent to 95.5 per cent.

- In January 1990, restrictions on 98 items were lifted, making the import liberalization ratio 96.3 per cent.

Improvements to the Consolidated Public Notice

- Items subject to import restriction or import procedures under about 20 Acts have been reduced or simplified through amendments to the Consolidated Public Notice, on 8 March, 1 July, 10 October 1989, and 1 January 1990.

- Major categories of improvements

  Reduction of products subject to import restriction;

  Simplification of procedures for inspection and approval;

  Elimination of import-related fees.

E. Trade Agreements

Country or region	Sectors of products covered	Dates of implementation	Duration of the Agreement	Nature of the Agreement
United States of America	Textile	14.12.89	1990-1991	Bilateral Quota Agreement
Canada	"	18.10.86	1987-1991	"
European Economic Community	"	4. 8.86	1987-1991	"
Austria	"	5.12.86	1987-1991	"
Finland	"	1.87	1987-1991	"
Spain	"	23.12.88	1988-1991	"
Sweden	"	9. 2.87	July 1987-Feb. 1992	"
Japan	Silk yarn and fabric	9. 5.90	April 1990-March 1991	"
United States of America	Steel	10.10.89	Oct. 1989-March 1992	VRA between Governments
European Economic Community	Footwear	23. 2.90	1990-1992	"
Japan	Tuna	1.70	1976-	"

II. IMPLEMENTATION OF STRUCTURAL ADJUSTMENT POLICIES

A. Policies in support of ailing sectors

The Korean Government established the "Industrial Development Law" in 1986. It replaced several laws to promote each industrial sector, such as the mechanical industry and the electronics industry.

At the same time, the industrial incentive system in Korea was changed from one that was sector-specific to a function-oriented system; the price mechanism has been broadly applied to the overall range of Korean industries.

If the competitiveness of a certain industry weakens, the Government utilizes an "Industrial Rationalization Plan" to make competition as free as possible, and it employs sector-specific fiscal aids and government intervention at minimum levels.

- In the future, the Korean Government intends to curb the increase in the number of industries as a rationalization measure.

Furthermore, the Government supports medium to small firms which intend to convert themselves into technology-intensive and high value-added fields and to transfer their production facilities abroad because of a steep rise in wages and currency exchange rates.

B. Assistance aimed at restoring the international competitiveness of individual sectors, in particular through support for technological innovation

In this regard, the Government of the Republic of Korea:

Promotes technological innovation by funding the development of technologies which are commonly needed by small- and medium-sized firms or by industry which has large technological spill-over effects;

Promotes the establishment of industrial technology research institutes such as the Korea Academy of Industrial Technology.

C. Magnitude and types of assistance provided to promote industrial activities considered to have a long-run high growth potential:

Assistance is aimed at fostering high-technology industries through:

- Promotion of basic research and increase of research and development investment related to high-technology industries;

- Various financial measures and tax incentives to promote leading edge technology development by the private sector;

  Industry Development Fund (1990: $32 million)

  Establishment of the "High Technology Improvement Fund" (1991 to 1996: $1.4 billion)

Greater tariff reduction on imports of equipment and facilities used by high-technology industries

- Increased demand for high-technology industrial goods
- Efforts to increase the supply of technology researchers and industrial manpower for high-technology industries
- Development of international technology co-operation.
- Acceleration of localization of imported machines, parts and materials of the main industries such as machinery and electronic industries.
- Increase and reorientation of labour supply in the manufacturing sector.

F. Research and development policies, to the extent that they are directed towards promoting structural change in industry and other sectors in line with changing competitive positions

Promotion of research and development activities of small- and medium-sized industry through loans from the Structural Adjustment Fund for Small/Medium Industry

Promotion of research and development activities of high technology industries through loans.

G. Regional policies to encourage growth within regions adversely affected by structural change

Nil

H. Assessment of the structural adjustment policies

(1) Change of industrial policy direction

The Korean Government has changed the industrial incentive system from one that is industry-specific to one that is activity- and function-oriented.

- The Government enacted the Industrial Development Act in 1986 and at the same time abolished seven acts designed to foster individual industries such as machinery, electronics, fibre and textiles, shipbuilding, petrochemicals, metals and non-ferrous metals.
- Since the mid-1980s, the Government has reduced direct intervention in industrial activities so as to encourage the private-initiated market mechanism for improved economic efficiency. The Government may intervene in the market mechanism when externality (external economy or diseconomy) occurs.

(2) Assessment of main industrial policies

The recent main industrial policies are as follows: fostering high-technology industries, rationalization of declining industries, localization of imported parts and machines, promotion of technology development and productivity improvement, increase in labour supply, etc.

The effects of these policies are indirect and secondary compared with the past selective industry-promotion policies but they have contributed to the formation of a flexible industrial structure for coping with changes in circumstances and for heightening economic efficiency through private initiatives and the market mechanism.

Note

1/ The Government of Korea also submitted a copy of relevant parts of the Presidential Decree for Customs laws. This document is available in the secretariat for consultation by interested delegations.

I. Principal substance of revision of the Presidential Decree for the Customs Law relating to anti-dumping duty (Effective date: 1 January 1989)

	Former decree	Revised decree	Article related
Coverage of petitioner	Domestic producer, Wholesaler, association or union of workers	Domestic producer, natural or legal person or association allowed as a petitioner by the Minister of Finance	Article 4-4
Investigation period	No concrete regulations on the time period of preliminary and regular investigation	- Preliminary investigation 3 months - Regular investigation 6 months (extensible)	Article 4-5
Review of anti-dumping measures	- Obligatory review more than once a year - No concrete regulations on the procedure of review	- Abolition of the regulations on obligatory review - Execution of review pursuant to the same procedure of initial investigation in case of request for review by an interested party	Article 4-7
Application period of anti-dumping measures	No regulations	3 years	Article 4-8

II. Principal substance of the market-average exchange rate system (Effective date: 2 March 1990)

Determination of won/dollar exchange rate	- Based on the weighted average of inter-bank rates of the previous day - The weight is determined by the volume of the respective transactions
Determination of exchange rate of other currencies	- The same as before (arbitrage between the market average rate (MAR) and the exchange rate between the US dollar and other currencies)
Determination of MAR, in the case of a daily inter-bank transaction falling below a certain amount	- If a daily inter-bank transaction amount falls below 50% of the daily average transaction amount of the previous year - Calculated on the basis of a two-day weighted average by combining it with the transaction of the day immediately preceding
Fluctuation scope of the daily inter-bank exchange rate	- Within an upper or lower limit of 0.4 per cent of the MAR

III. Changes in tariffs and tariff preferences

1. Average rate of duty

	1988	1989	1990
Total	18.1	12.7	11.4
Industrial products	16.9	11.2	9.7
Agricultural products	25.2	20.6	19.9

2. Concessions under First Agreement on Trade Negotiations among Developing Member Countries of ESCAP (Bangkok Agreement)

(1) Concessions in general

	1988	January 1990	September 1990
Number of products	32	32	208
Average base rate of duty	20.6	15.0	13.8
Average concession rate of duty	12.6	10.0	9.6

(2) Special concessions to Bangladesh

	1988	January 1990	September 1990
Number of products	3	3	20
Average base rate of duty	20.0	13.0	10.5
Average concession rate of duty	15.0	10.3	6.3

(3) Special Concessions to the Lao People's Democratic Republic

	1988	1990
Number of products	9	9
Average base rate of duty	21.1	12.8
Average concession rate of duty	13.3	8.6

3. Concessions under the Agreement on the Global System of Trade Preferences among developing countries (GSTP)

	1988	1990
Number of products	26	26
Average base rate of duty	11.2	10.1
Average concession rate of duty	10.3	9.3

IV. Report on anti-dumping actions

(for the period of 1989-1990)

Exporting country	Dumped product	Initiation	Provisional measures	FINAL OUTCOME						Trade volume	Dumped imports as % of domestic consumption	% of trade volume investigated (of the exporting country)	Basis for determination
				Definitive duty	Price under-takings	No dumping	No injury	Case with-drawn	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
France	Alumina Cement	13.1.89			31.8.89					3 787 metric tonnes	Not available (N/A)	Not available (N/A)	Home market value (HMV)
France United Kingdom Germany	Poly-acrylamide	17.2.90 (Under investigation)			-					2 548 metric tonnes	N/A	N/A	HMV
USA Japan	Poly-acetate resin	25.8.90 (Under investigation)			-					10 800 metric tonnes	N/A	N/A	HMV

Notes:

Trade volume is based on statistical data for the latest available calendar year prior to initiation.

No countervailing actions occurred in the period.

Revised Enforcement Decree on anti-dumping and countervailing duties effective since 1 January 1989; the Finance Minister's Notice has set out detailed procedures for those duties as of 15 February 1989.

11. SWEDEN

[Original: ENGLISH]

The Swedish authorities have provided the secretariat with the following information covering measures implemented during 1990.

Customs tariff measures

Customs duty has been lifted from rubberized tyre cord fabric made of synthetic fibres since 1 January 1990 (tariff heading No. 59.02).

GSP

Under the Generalized System of Preferences, Jordan has been added to the list of beneficiary countries as of 1 May 1990.

Non-tariff measures

The Government of Sweden intends to abolish restrictions in the textile sector as of 31 July 1991. Agreements with validity past this date have been modified accordingly.

Knitted underwear originating in China, Malaysia and Turkey has been added to the agreements with these countries as of 1 May and 15 June 1990, respectively.

Anti-dumping measures

Investigations regarding anti-dumping/countervailing duties during 1989 are shown in the table below. No such investigations had been initiated during 1990. The same information has been notified to GATT.

Other measures

In June 1990, the Swedish Parliament decided to introduce a new agricultural policy.

The main theme of the policy - entering into force on 1 July 1991, with a transition period of about five years - is that production, in principle, will be subject to the same conditions as other branches of industry. Producers will be compensated only for demanded goods and services. Public interventions are justified in the case of goods and utilities demanded by the public, the decision implies, in principle, the abolition of internal regulations, including those on export subsidies.

Border protection in the form of variable levies will be retained, pending the results of the GATT negotiations.

Table

Swedish anti-dumping/countervailing duties investigations 1989

Product	Country	Initiation	Provisional measures	Final measures	Remarks
Hardboard	Poland	89-01	Duty 30% (lacquered) 40% (others)	-	Terminated (no injury)
Hardboard	Union of Soviet Socialist Republics	89-01	"	-	"
PVC-pipes	Czechoslovakia	89-07	-	-	Outstanding
PVC-pipes	Poland	89-07	-	-	"
Fertilizers	Former German Democratic Republic	89-12	-	-	Case withdrawn
Fertilizers	Romania	89-12	-	-	Terminated (no injury)

12. SUISSE

[Original : français]

Dans leur réponse, les autorités suisses ont informé le secrétariat que la Suisse n'a pris, dans la période 1989-1990, aucune mesure relevant du champ d'application des résolutions de la CNUCED concernant le protectionnisme et l'ajustement structurel. De futures mesures éventuelles dépendront dans une très large partie de l'issue des négociations multilatérales d'Uruguay. Les commentaires faits par la Suisse sur ce thème, repris dans le document TD/B/1245 préparé pour l'examen annuel du protectionnisme et de l'ajustement structurel lors de la deuxième partie de la trente-sixième session du Conseil, conservent toute leur valeur.

13. TURKEY 1/

[Original: ENGLISH]

INFORMATION RELATING TO 1989-1990 WITH REGARD TO DEVELOPMENTS IN IMPORT POLICY

With the liberalization policy pursued since 1984, fundamental structural adjustments to imports have been realized; the import substitution policy aiming at the protection of domestic industry has been replaced by a more liberal import policy, in order to open domestic industry to foreign competition through the procurement of investment goods and raw materials with suitable prices as well as to control inflationary tendencies through the gradual elimination of tariffs.

Within this framework, significant changes in the import régime had been realized in 1989 and 1990. Before summarizing those changes, however, two main arrangements in related fields will be mentioned:

- In 1989, Turkey adopted the Harmonized Coding System. Accordingly, the Turkish Customs Tariff Schedule was revised to assure conformity with the existing system, and the necessary arrangements were accordingly made in the Import Régime.

- Consecutively, in order to avert damage to its domestic industry from imported goods, encouraged through premiums, dumping subsidies or similar measures, conflicting with the policy in the Import Régime, new legislation was prepared by the Under-secretary and thus "the Law on the Prevention of Unfair Competition in Importation" was published on 1 July 1989. Subsequently, the Decree and Regulation relevant to the Law was published on 27 September 1989 and was put into effect as of 1 October 1989.

In compliance with Turkey's foreign trade policy and with regard to the country's relations with the European Community, significant reductions in customs duties were realized, foreign exchange legislation was simplified, and quantity restrictions on imports were removed which brought out the complaints for the importation of products originating in the countries of Eastern Europe and the Far East presumed to be d[illegible]ed since 1984.

Upon entry-into-force of legislation on the prevention of unfair competition in importation, a considerable number of communications were received from complainants claiming that products imported from variouss sectors had been dumped.

Some 28 applicants have augmented their complaints with the documents described in annex 1 to the legislation.

The Board of Evaluation of the Unfair Competition in Importation was convened and initiated an investigation into 14 cases but refused 14 others. The cases under investigation are continuing.

Arrangements have continued aimed at reducing Duties and Mass Housing Fund amounts for realizing the structural adjustments in the Import Régime, in order to prevent monopolistic trends and decrease both the prices of imported goods and production costs. The aim of the arrangements put into force by the Import Decrees may be summarized as follows:

- To open up the industry to foreign competition.

- To prevent unnecessary increases in imported inputs required for the domestic industry so as to lead to an improvement in the cost structure.

- To prevent the formation of monopolies dominating the market through extremely high customs duties and levies.

- To stabilize the prices of goods for which production and distribution channels are insufficient.

With the decree published on 9 November 1989, a new list entitled "the List of Investment Goods whereof the Importation is Directly Encouraged" has been added to the Import Régime. The items covered by this list have been exempted from customs duties.

The 1990 Import Régime announced on 17 January 1990 has been consecutively revised on: 11 April 1990, 16 May 1990, 18 July 1990 and 5 September 1990. Efforts to decrease the rates of customs duties are continuing.

With the abolition of the list of goods the importation of which was subject to permission, in the new régime, imports have been further liberalized. The importation of such items as narcotics and weapons is controlled according to their specific laws and regulations. The items, mentioned in the new list entitled "Investment Goods Imports of which are Encouraged Directly", have been exempted from customs duties. Items on this list may be imported and even used, provided that they are not more than five years old on the date of their actual importation. In addition, imports of items from this list are exempt from the "Support and Price Stabilization Fund".

In the 1990 Import Régime, the following changes have also been made with regard to non-tariff measures.

- Abrogation of the import guarantee deposit.

- Under the previous régime, importation from centrally planned economies was co-ordinated by Foreign Trade Capital Companies, public institutions and other firms according to certain conditions. This restriction has been abolished and importation from these countries has become subject to general principles.

- Imports by State Economic Enterprises and other public institutions have been simplified and prior preliminary tender permission is no longer required.

- Customs duties and payments to the Mass Housing Funds have been consolidated into a single list for purposes of simplification so that both are easily visible at the same time on the same page.

- The issuing of import permits has been simplified. They are now issued automatically upon the request of the importer; the validity period is determined by the importers' own declaration. In addition, the extension of validity is no longer dependent on payment of a fee based on a percentage of the total foreign currency of the imports.

Changes made with regard to tariffs and levies in the 1990 Import Régime have been listed below according to products/sectors:

- Tariffs have been reduced for galvanized metal sheets; parts and accessories for filtering equipment; steel woven products used in the production of conveyors; spare parts and accessories of certain motor vehicles; sodium carbonate used as raw material in some sectors; platinum catalyzers used in the fertilizer sector.

- Levies have been reduced on synthetic yarns.

- Tariffs and levies have been reduced for petroleum bitumens.

- Tariffs have been exempted for buses, ferro-chromium used as a raw material in the iron and steel sector, continuous conveyors used in the paper industry, straw and fodder balers and harvesting machinery for sugar beets.

- Ethyl alcohol has been exempted from tariffs and levies.

- Galvanized metal sheets have been exempted from levies.

- Railway equipment, aircraft, buses, straw and fodder balers, harvesting machinery for sugar beets, harvesting or threshing machinery have been added to the "List of Investment Goods whereof Importation is Directly Encouraged".

Finally, on 1 January 1990, Turkey had reduced tariffs on imports of various products from the European Community by an additional 15 per cent, so that the consolidated rate of liberalization to EC countries has now reached to a total of 60 per cent.

The tariff cuts in the Import Régime are in line with the long-standing bilateral agreement (Additional Protocol) between Turkey and the EC to move towards free trade. At present, total tariff reductions on goods from the EC appearing on the 12-year and 22-year lists amount to 50 and 40 per cent, respectively.

Note

1/ The Turkish Government also submitted to the secretariat supporting documentation as follows:

- A document summarizing the Turkish exchange and trade system, indicating legislative changes during 1989 and the first half of 1990.

- A summary of the Government's external borrowing policies.

- A list of items which are consolidated to the EEC (in the Turkish language).

- A translation of the decree on the import régime which entered into force on 17 January 1990.

- A copy of the legislation on the prevention of unfair competition in importation, in the Turkish language, with translations into English, French and German.

- A copy of the Turkish Schedule of Concessions under the Protocol relating to the trade negotiations among developing countries in GATT.

These documents are available through the UNCTAD secretariat for consultation by interested delegations.

14. YUGOSLAVIA

[Original: ENGLISH]

DEVELOPMENTS IN INTERNATIONAL TRADE AND STRUCTURAL ADJUSTMENT POLICY

In 1988-1990, the Yugoslav federal parliament adopted several laws as part of its complex economic reform aimed at promoting competition and the efficient functioning of goods, services, labour and capital markets. These laws have enabled several sectoral reforms to take place that were of particular importance for domestic and foreign competition and structural adjustment. These include: (i) reform of the enterprise sector, (ii) liberalization of the foreign trade régime and foreign investment régime, (iii) reform of the banking system, (iv) price system reform, (v) foreign exchange system reform.

(a) In December 1988 the Enterprise Law was adopted, allowing the creation of enterprises with all types of ownership, including wholly privately owned enterprises and co-operatives, as well as a wide range of all possible legal forms of enterprises, including shareholding companies, unincorporated enterprises, limited partnerships, etc.

In 1989, the laws on Financial Operations of Enterprises and on Compulsory Liquidation of Enterprises were passed. They replaced and simplified the previous system of rehabilitation of firms, including bankruptcy procedures.

In December 1989, the Law on Social Capital was adopted then amended in July 1990 with the aim of accelerating the process of privatization and ownership restructurization in Yugoslav companies by means of selling shares to employees and other persons and legal entities or selling shares by public tender. The agencies for restructuring will be established in republics and provinces as well as in large companies with a view to facilitating privatization through consultation and technical assistance.

Special funds for development will be also established in republics and provinces in order to support this process and structural adjustment. Part of the funds will be collected from the sale of shares by public tender.

Structural adjustment will also be facilitated by the Federal Agency for Small and Medium-scale Enterprises, established in 1989 with the aim of providing technical assistance to enterprises. The Fund for Industrial Development for Yugoslavia, established by EFTA countries, was to become operative at the beginning of 1990 in support of the financing of small and medium-sized companies.

(b) The Law on Foreign Trade Transactions, adopted in December 1989, has substantially liberalized, deregulated and simplified the modalities and conditions for foreign trade transactions. The new law has replaced five former laws in this field. It has introduced national treatment for foreign companies with respect to setting up and operating businesses in Yugoslavia, and has introduced equal treatment for companies in social, mixed and private ownership. The new law is expected to increase the number of entities in

foreign trade, to increase and diversify foreign trade and domestic production and to exert pressure on domestic product prices. Indirectly, it should facilitate structural adjustment and accelerate investments in the economy in the long run.

In 1988 and 1989, the Yugoslav Government substantially liberalized imports, so that the share of goods under the free import régime had increased from 10 per cent at the end of 1987 to 87 per cent by the end of 1989. The right of socialized enterprises to import has been extended to private companies and, for certain consumer goods, to individuals.

The new Foreign Investment Law adopted on 1 January 1989 has considerably liberalized the foreign investment régime, by establishing national treatment for foreign firms. The time-limit for foreign investments was abolished; rules concerning repatriation of capital and profit, as well as capital guarantees were liberalized; likewise procedures for foreign investments' approval were also simplified. During the first year of implementation of such favourable legislation, by the end of March 1990, some 1,200 contracts had been approved, the majority being joint ventures with local companies.

The level of foreign debt was reduced in both 1988 and 1989, altogether by some $US 3.4 billion, while debt-servicing had declined from almost 40 per cent of current account earnings in 1986 to about 23.5 per cent in 1989. However, debt-servicing will be substantially increased after 1995 when the grace period expires for the last rescheduling. Owing to accumulated serious structural problems during the 1980s, the debt problem can be solved only by a resolute new development strategy.

By mid-1990, the foreign exchange reserves had been increased to over $US 10 billion. The foreign exchange reserves were needed to maintain the stabilization programme and were not intended simply for debt repayment, however. The Government, therefore, intended to initiate a policy to boost investments as of the second half of 1990. To this end, some $US 3.6 billion would be needed during 1990-1991 from foreign commercial banks and international financial sources.

(c) Since 1989, particular emphasis has been given to measures for the improvement of capital mobility and efficiency of the banking sector.

The Law on the National Bank of Yugoslavia (NBY), adopted in June 1989, and the Law on the Federal Agency for the Rehabilitation of the Banking System, adopted in February 1989, had expanded the competences and autonomy of the NBY in relation to the Federal Assembly, with respect to its control over the money supply and the banking sector, including the power of the NBY to initiate rehabilitation and bankruptcy procedures for loss-making banks.

The National Bank of Yugoslavia assumed the role of the central bank with the same functions and autonomy as that existing in market economies, i.e. regarding external and internal liquidity, stability of the national currency and monetary policy.

In October 1989, several laws for the implementation of bank reform were adopted, they included the Financial Operations Act, Money Market and Capital Market Law and the Law on Securities. The new laws have the following basic aims: (i) elimination of the inherited rigid structure of the banking system,

(ii) increasing the efficiency and rationality of banking operations,
(iii) absorption of international experience, methods and forms relating to bank management and operations, in accordance with the principles of modern market economies.

This legislation established banks as independent economic enterprises founded as joint-stock or limited liability companies with the possibility of establishing banks with mixed ownership. These banks may be established by other Yugoslav banks, other domestic and foreign legal entities and natural persons. A bank with mixed ownership is granted national treatment in the Yugoslav economic and banking system. The new legislation also insists on strict observance of the basic banking principles of liquidity and solvency; it also provides for bankruptcy proceedings.

High priority is given to the development of the money and securities markets. Shares, bonds, treasury bills, certificates, commercial bills and other securities may be issued by enterprises, banks and other financial organizations, insurance organizations, socio-political communities and other legal entities. The legislation regulates the establishment, status and mediation operations in the circulation of money and securities. Markets are to be set by banks and other financial organizations. The National Bank of Yugoslavia is responsible not only for granting permission to start money market functioning but also for its supervision. The Government has set up a Commission in charge of approving the start of the capital market. The participating parties may be banks and other financial organizations, while those participating in the capital market may be banks, other financial organizations, social funds and enterprises which take part through their authorized representatives, i.e. banks.

(d) The anti-inflationary measures implemented in 1989 contributed substantially to a more competitive environment as a precondition for more efficient restructuring. During this period the rate of inflation was reduced from 2,700 per cent to 13 per cent.

The system of administrative price control was abolished and substantial price liberalization was achieved in the period from mid-1988 to the end of 1989, at which time some 75 per cent of all industrial producer prices were freely determined in contrast to a rate of 40 per cent at the end of 1987.

The new Law on Trade was adopted in mid-1990. Its aim was more efficient control of various forms of restrictive business practices which adversely affect domestic and foreign trade, while protecting domestic consumers more effectively. The scope of application of the law was extended from enterprises to republic and local authorities. Provisions for fines have been significantly increased. The Federal Commission was established to review the Law and propose measures for its efficient implementation.

(e) In May 1988, the system of administrative allocation of foreign exchange was abolished and a "unified foreign-exchange market" was established in the second half of 1988. Within the framework of anti-inflationary measures, the new dinar was declared fully convertible and pegged to the Deutschemark (DM) at a fixed exchange rate of 7 dinars for DM 1 in January 1990.

In 1990, in addition to privatization and ownership restructuring programmes in co-operation with IBRD, the Yugoslav Government also initiated the Structural Adjustment Programme. It contains the following elements: structural adjustment of both the banking and the industrial enterprise sectors; development and improvement of capital markets and of non-banking financial institutions; development of small- and medium-sized enterprises; technical assistance for the implementation of the main elements of the programme; a social programme and a programme for the improvement of labour mobility. Implementation of the programme and its efficiency will depend on foreign and domestic financial resources collected in 1990 and 1991.

The Federal Fund (worth $US 150 million) was established in 1990. Combined with additional republic and provincial funds of $US 100 million, this Fund will finance social and labour-market assistance programmes with the aim of improving labour-force mobility and reducing unfavourable social consequences of restructuring.

A unified, nation-wide information system handling employment opportunities was created in 1989. The free-wage bargaining system, introduced in the second half of 1990, was also expected to contribute to better labour mobility as one of the preconditions for efficient restructuring.

In mid-1990, the Yugoslav Government submitted a proposal to the Federal Parliament for transforming into a Development Bank the Federal Fund for Accelerated Development of Underdeveloped Republics and the Province of Kosovo. The new institution will draw on modern experience in implementing regional policies of market-economy and other countries, with a view to increasing investment efficiency.

In 1989 and the first half of 1990, the implementation of the whole programme of structural adjustment was carried out in a very unfavourable macro-economic environment:

- National Product rates have been declining since 1987;

- Gross fixed investments have been declining for several years at a rate of 6 per cent;

- Industrial production has been falling or stagnating since 1988. In the first seven months of 1990, industrial production had dropped by 10.4 per cent compared with the same period in 1989.

In 1990, the total agricultural production was expected to be seriously affected by very unfavourable weather conditions, with several basic crops probably reduced by nearly 40 per cent.

Excess employment in the social sector has been estimated to be over 1 million, of some 6.7 million workers employed in the sector. For structural adjustment and increased efficiency, large cuts in employment will be necessary; in addition, numerous bankruptcies will be initiated in the forthcoming period. In the first seven months of 1990, bankruptcy procedures had been initiated for 685 enterprises, affecting some 387,000 employees.